5. Cost Accounting Regulations

Section 276 requires that, at a minimum, Computer III safeguards must apply to the relationship between a Bell company's regulated exchange operations and its payphone operations. Accordingly, the cost accounting must at a minimum comply with the existing cost accounting regulations, applicable to nonregulated operations.[14]

6. Other BOC Practices

a. Service Order Processing

The LECs must be required to provide non-discriminatory service order processing. Order intake must be through the same point of entry, orders must be processed on a first come-first served basis, etc. Further, the LECs must be required to follow the same letter of agency priorities, customer notification, etc. with respect to both IPP providers and their own payphone division.

b. Existing Contracts and Letter of Agency (¶ 73).

While the Act insulates embedded contracts existing as of February 8, the Commission correctly observes that it is not clear what is a contract. The Commission correctly focuses on letter of agency ("LOA").

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[14] 47 CFR §§ 64.901 et seq. See also Separation of Costs of Regulated Telephone Service from Costs of Nonregulated Activities & Amendment of Part 31, the Uniform System of Accounts for Class A and Class B Telephone Companies to Provide for Nonregulated Activities and to Provide for Transactions Between Telephone Companies and Their Affiliates, CC Docket No. 86-111, 2 FCC Rcd 1298, 1329-1331 (1987) (Joint Cost Order), recon. 2 FCC Rcd 6283 (1987) (Joint Cost Reconsideration Order), further recon., 3 FCC Rcd 6701 (1988) (Joint Cost Further Reconsideration Order), affirmed sub nom., Southwestern Bell Corporation v. FCC, 896 F.2d 1378 (D.C. Cir. 1990). See also the various regulations adopted pursuant to these orders.

There is an area the Commission must address. The LECs may have prevented LOAs from reaching fruition as contracts. Attachment 2 is a US West general notice to IPP providers. The notice announces a new procedure. Effective April 1, 1996, before disconnecting a US West payphone when a LOA is presented by an IPP provider, US West will notify US West Public Services, its payphone division, to give Public Services a chance "to review its relationship with the site provider" and "negotiate or renegotiate its relationship or contract . . . ."
The Commission must make clear that in situations such as this, it will require a "fresh look" at any contracts entered into, renewed or renegotiated by a LEC between the date of enactment of the Act and the effective date of the rules adopted in this proceeding. The LECs must not be allowed to use their monopoly position to block a relationship from developing between an IPP and a site provider and then claim the LEC contract is protected. In general, the Commission should make clear that with respect to contracts that were entered into, were renewed, or renegotiated in the interim period, a "fresh look" will be required upon a proper showing.

E. Compliance Safeguards

1. Compliance plans

The Commission should require Bell companies to submit compliance plans, describing in detail their steps to comply with each of the safeguards delineated above. These include but are not limited to CEI/ONA plans. These compliance plans as approved by the Commission, should be subject to application retroactively to the date that the regulations take effect.

2. Independent audit

The Bell companies should be required to have an annual [biennial?] independent audit of their compliance with the safeguards. The audit should comply with the same conditions that are applicable to the audits of Bell company manufacturing activity under Section 272(d) of the Act. That is, (1) the audit shall be paid for by the Bell company; (2) the results of the audit shall be submitted to the Commission and to the State commission of each State in which the company audited provides services; (3) the results shall be available for public inspection; (4) any party may submit comments on the final audit report; (5) the independent auditor, the Commission, and the State commission shall have access to the financial accounts and records of each company and of its affiliates necessary to verify transactions conducted with that company that are relevant to payphone activities and that are necessary for the regulation of rates; and (6) the Commission and the State commission shall have access to the working papers and supporting materials of any auditor who performs an audit, subject to appropriate procedures to ensure the protection of any proprietary information. 47 U.S C. § 272(d).

3. Availability of information

The Bell companies should be required to file and update with the Commission copies of all tariffs and contracts relating to transactions with their payphone divisions. Any transactions that are not tariffed should be incorporated in a contract, a copy of each contract should be filed with the Commission, and the contracts should be available for public inspection. Cf. 47 U.S.C. § 272(b)(5).

F. Application of Safeguards to Other LECs

GPCA believes the safeguards adopted pursuant to Section 276(b)(1)(C) should also be applied to other LECs or a subset thereof pursuant to the Commission's general Communications Act authority. At a minimum, these safeguards should be applied to LECs with more than $100 million in revenues, such as GTE, Sprint and Alltel.

CONCLUSION

The Commission should adopt regulations in accordance with the foregoing comments.

July 1, 1996

Respectfully submitted,

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ATTACHMENT 1

NUCOM STUDY OF IPP PROVIDER ACQUISITIONS

Date	Selling Company	Buying Company	Public or Private?	Purchase Price	Number of Payphones	Avg. Price
March 1994	Emro Marketing	PTEL	Public	1,700,000.00	1,045	$1,626.79
June 1994	Atlantic Telco	PTEL	Public	11,500,000.00	3,300	$3,484.85
July 1994	Telecorp. Funding	PTEL	Public	1,900,000.00	600	$3,166.67
October 1994	Telecoin Communications	PTEL	Public	7,300,000.00	2,155	$3,387.47
November 1993	Ascom Communications	PTEL	Public	40,000,000.00	11,600	$3,448.28
June 1992	USPC Teleleasing	CCIX	Public	13,700,000.00	4,738	$2,891.52
July 1993	Public Access, Inc.	CCIX	Public	5,750,000.00	1,993	$2,885.10
December 1992	Payphone Systems	CCIX	Public	1,641,200.00	519	$3,162.24
June 1993	Accurate Technologies	CCIX	Public	1,065,000.00	529	$2,013.23
July 1994	Public Payphone of NorCal	GFA Capital	Private	1,500,000.00	270	$5,555.56
June 1996	SVC Telco	NuCoM	Private	815,000.00	275	$2,963.64
Totals				86,871,200.00	27,024	$3,214.59

ATTACHMENT 2

US WEST
DISCONNECTIONS POLICY

U S WEST Communications, Inc.
1005 17th Street Room 990
Denver, Colorado 80202

InterConnect Services

USWEST
COMMUNICATIONS

March 22, 1996

Dear Independent Payphone Provider:

U S WEST Public Services will be taking a more active role in disconnect requests for its payphones. Under current practice, a U S WEST payphone might be disconnected, without U S WEST Public Services being aware of the disconnect order, even though they are responsible for every aspect of that payphone, including its placement and maintenance. In addition, today's disconnect process is not consistent with the practice that applies to other payphone providers whose service is never disconnected without notice to them.

Beginning April 1, 1996, if a site provider directs, through an authorized agent such as an Independent Payphone Provider, that a U S WEST payphone be disconnected, InterConnect Services will take that order and issue the disconnect (as they do today). However, U S WEST Public Services will be looking at disconnect detail on their payphones prior to the actual disconnect. We understand that U S WEST Public Services may contact the site provider to discuss the reasons for the disconnect order and to review its relationship with the site provider. Obviously, they may, at that time, negotiate or renegotiate its relationship or contract with the site provider.

Under these circumstances, it is possible that a site provider may direct U S WEST Public Services to cancel the disconnect order and continue the U S WEST payphone service. If the disconnect order is to be cancelled, U S WEST Public Services will immediately advise InterConnect Services, and we will contact the agent (usually an IPP) who placed the order for the disconnect.

Remember, these practices relate only to the disconnect of the U S WEST Public Services facilities; they do not change the way InterConnect Services handles and treats orders for an IPP's own services. No order for Independent Payphone Provider service will ever be discussed or revealed to U S WEST Public Services by InterConnect Services. Completion of new connect activity for services ordered by IPPs will not be associated with the cancellation of the U S WEST payphone disconnect order

If you have questions regarding this issue, please contact Jose Sisneros at 800-599-3704 (Colorado, Iowa, Minnesota, Nebraska, North Dakota, South Dakota, and Wyoming) or Chris Stevenson at 800-662-8975 (Arizona, Idaho, Montana, New Mexico, Oregon, Utah, and Washington).

Yours very truly,

Lu Ann Thorpe

Lu Ann Thorpe
Regional Manager-InterConnect Services